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Nigeria

Market Development Reports

Budget Implications on Agriculture

1999

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Report Highlights:
Nigeria has continued its review of tariffs in line with its WTO commitments. In addition to barley and barley malt, the 1999 budget created opportunities for imports of poultry products following the reduction in import duty from 150 to 55 percent.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
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In a radical departure from past trends, the Government of Nigeria (GON) in its 1999 budget presented in detail on January 5 by the new Finance Minister, announced a deficit budget of 37 billion naira for the first time in many years. The deficit budget is due to the down turn in the price of crude oil which is Nigeria's major source of revenue. The budget will among other things focus more on agricultural development towards making the country self-sufficient in food production. In this regard, emphasis will be placed on the production of quality seeds and seedlings, soil conservation, animal traction, tractors and agricultural equipment rehabilitation.

The GON reiterated its preparedness to abide its WTO commitmments with plans to phase out all import bans in three years. In this regard, the GON announced the removal of vegetable oils from the import prohibition list as follows:

	New tariff	Old tariff
a) cooking oils (HS Code 1505,1000-1505,9000,1511.100-1513,2900)	35%	Banned
b) Margarine (HS Code 1517.1000 - 1517.9000)	40%	Banned

Other commodities that had their tariffs revised include:

Live, chilled or frozen poultry (HS Code 0105,1200 - 0105, 9900,0207.1100- 0207.3600)	55%	150%
Fruit juices (HS Code2009.1000 - 2009.900)	55%	35%
Biscuits (HS Code 1905.1000)	55%	45%
Tomato purees, HS Code 2002.9000	45%	55%
Agricultural Spraying guns	0%	10%

In a similar development, excise duties on spirits and tobacco were re-introduced as follows:

(I)	Spirits and other spiritous alchohol	40%	Nil
(ii)	Cigarettes, cigar, cheroots and cigarilos	40%	Nil
(iii)	Other manufactured tobacco and Tobacco manufactured substitutes	40%	Nil

However, while the budget made reference to Nigeria's commitment to phasing out the remaining items on the import prohibition list, no time table was given for the elimination of the ban on corn or sorgum.

The GON approved the reduction in the import duty imposed on live, chilled or frozen poultry and eggs from 150 percent to 55 percent. This is indeed a welcome development. The import ban on poultry products was lifted in 1998 and a prohibitive duty of 150 percent imposed, which only fueled smuggling, under declaration and under invoicing of poultry products. The new tariff rate will encourage imports.

The GON also announced the abolition of pre-shipment inspection schemes for imports and exports, to be replaced with destination inspection. The removal of this hurdle will reduce the time and relative cost of U.S. exports to Nigeria. The abolition of pre-shipment inspection, along side some port reforms announced in the budget, will ease the problem of delays in the importation process. The GON plans to engage the services of two agencies to assist customs in carrying out destination inspection for all imports.

Finally, the 25 percent duty rebate introduced in 1995 to ameliorate the adverse effect of inflation and ensure increased capacity utilization in the manufacturing sector was removed. This implies that the effective tariff on most imported products will increase accordingly.

Market Development Opportunities

The reduction in tariff on live, chilled or frozen poultry and eggs from 150 percent to 55 percent in the 1999 budget provides significant trade opportunities for these products. Imported poultry products will compete effectivelly, because local production is small and costly due to high production costs. Corn, a major poultry feed ingredient, currently sells for $250 per ton, which is well above prevailing international prices due to a combination of a shortfall in local production and a ban on imported corn. The Nigerian market prefers leg quarters, and should represent a good opportunity for U.S. exporters

The retention of the tariff rate on barley and malt at a moderate rate of 20 percent also provides a significant trade opportunities for U.S. exporters. For many years since the imposition of import bans for coarse grains in 1986, the local brewing industry has relied upon local corn and sorghum for making beer. We expect many brewers will shift to the cheaper malt in the near term.